

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2016

Docket No. ACR2016

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
QUESTION 1 OF CHAIRMAN'S INFORMATION REQUEST NO. 25

The United States Postal Service hereby provides its response to the above-listed question of Chairman's Information Request No. 25, issued on March 3, 2017. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. In FY 2017, the Postal Service changed the performance goals to align with its new Five-Year Strategic Plan for FY 2017 to FY 2021.<sup>1</sup> The new performance goals for FY 2017 are:

- Deliver a World-Class Customer Experience;
- Equip, Empower, and Engage Employees;
- Innovate Faster to Deliver Value; and
- Invest in Our Future Platforms.<sup>2</sup>

The Postal Service states that FY 2017 performance targets are aligned with the Strategic Plan. FY 2016 *Annual Report* at 14. For each new performance goal, please provide FY 2017 performance indicators and targets.

### RESPONSE:

For FY2017, the Postal Service's performance measures and targets are organized into the following four corporate performance goal categories:

- Deliver High Quality Service;
- Provide Excellent Customer Experiences;
- Ensure a Safe Workplace and Engaged Workforce; and
- Sustain Controllable Income.

These four corporate performance goals and associated metrics are based on a balanced scorecard assessment of postal stakeholder needs.

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<sup>1</sup> FY 2016 *Annual Report* at 14; see Future Ready: United States Postal Service Five-Year Strategic Plan, Fiscal Years 2017 to 2021; <http://about.usps.com/strategic-planning/five-year-strategic-plan-2017-2021.pdf> (Strategic Plan).

<sup>2</sup> FY 2016 *Annual Report* at 14; Strategic Plan at 7.

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### **Deliver High Quality Service Goal:**

For this goal, the Postal Service measures service performance by tracking the percent of mail and packages that are delivered within service standards. The FY 2017 performance metrics for this goal include the percentage of on-time deliveries for the following products:

- Single-Piece First-Class Mail
  - Two-day
  - Three-to-Five-day
- Presort First-Class Mail
  - Overnight
  - Two-day
  - Three-to-Five-day
- First-Class Mail Letter & Flat (FCLF) Composite
- Standard & Periodical Composite

The Postal Service provides the Commission with the performance scores for competitive package products separately.

### **Provide Excellent Customer Experiences Goal:**

For this goal, the Postal Service measures customer experiences for customer segments across key touch points. For FY 2017, the Postal Service will continue to use the national Customer Insights (CI) composite score comprised of the following subordinate metrics:

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- Business Service Network (BSN) (for large commercial customers) customer satisfaction score;
- Point of Sale (retail post offices and online) customer satisfaction scores;
- Residential and Small and Medium Enterprise (SME) Delivery customer satisfaction scores; and
- Customer Care Center customer satisfaction scores.

See Table 1 below (copied from page 15 of the FY 2016 Annual Report to Congress) for the FY 2017 Customer Insights (CI) Composite target.

**Ensure a Safe Workplace and Engaged Workforce Goal:**

For FY 2017, the Postal Service will measure performance using the Total Accidents Rate which is a change from FY 2016. Please refer to Table 1 below and page 21 of the FY 2016 Annual Report to Congress for a detailed description of this metric.

**Sustain Controllable Income Goal:**

Financial performance is evaluated using the variance against the target for controllable income and Deliveries per Total Work Hours (DPTWH) as a percent change to the same period last year (SPLY).

Please refer to Table 1 below and page 15 of the FY 2016 Annual Report to Congress for the FY 2017 targets.

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**Table 1: U.S. Postal Service FY2016 Results and FY2017 Targets for Corporate-wide Goals**

U.S. Postal Service FY2016 Results and FY2017 Targets for Corporate-wide Goals										
Goal	Measure	FY2017 Target	FY2016 Actual	FY2016 Target	FY2015 Actual	FY2015 Target	FY2014 Actual	FY2014 Target	FY2013 Actual	FY2013 Target
Deliver High-Quality Service (% on-time)	Single-Piece First-Class Mail Overnight <sup>1</sup>	N/A	N/A	N/A	95.55	96.80	96.00	96.80	96.14	96.70
	Two-day	96.50	94.66	96.50	93.28	96.50	94.90	96.50	95.26	95.10
	Three-to-Five-day	95.25	83.66	95.25	76.56	95.25	87.70	95.25	91.60	95.00
	Presort First-Class Mail Overnight	96.80	96.16	96.80	95.74	96.80	97.00	96.80	97.20	96.70
	Two-day	96.50	95.05	96.50	93.56	96.50	96.40	96.50	97.00	95.10
	Three-to-Five-day	95.25	91.68	95.25	87.78	95.25	92.20	95.25	95.10	95.00
	First-Class Composite <sup>2</sup>	N/A	93.00	96.00	89.64	96.00	94.11	96.00	N/A	N/A
	First-Class Mail Letter & Flat (FCLF) Composite <sup>3</sup>	96.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Standard & Periodical Composite <sup>4</sup>	91.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Standard Composite <sup>5</sup>	N/A	92.97	91.00	89.58	91.00	90.09	91.00	N/A	N/A
Provide Excellent Customer Experiences (%) <sup>6</sup>	CEM Composite (2011–2013)	N/A	N/A	N/A	N/A	N/A	CEM	CEM	78.40	82.50
	Residential (2011–2013)	N/A	N/A	N/A	N/A	N/A	CEM	CEM	82.00	85.00
	Small/Medium Business (2011–2013)	N/A	N/A	N/A	N/A	N/A	CEM	CEM	76.40	81.00
	Customer Insights Composite <sup>7</sup>	89.00	87.62	86.70	85.73	86.70	Baseline	Baseline	N/A	N/A
	Business Service Network (BSN)	N/A	95.13	N/A	94.32	N/A	Baseline	Baseline	N/A	N/A
	Point of Sale (POS)	N/A	86.38	N/A	86.28	N/A	Baseline	Baseline	N/A	N/A
	Delivery	N/A	76.26	N/A	77.49	N/A	Baseline	Baseline	N/A	N/A
	Customer Care Center	N/A	85.18	N/A	76.00	N/A	Baseline	Baseline	N/A	N/A
Ensure a Safe Workplace and Engaged Workforce	OSHA Illness and Injury Rate <sup>8</sup>	N/A	6.25	6.05	6.85	5.10	6.75	5.10	6.05	5.20
	Total Accidents Rate <sup>9</sup>	15.00	16.01	15.0	N/A	N/A	N/A	N/A	N/A	N/A
	Voice of the Employee Survey (%)	N/A	N/A	N/A	N/A	65.10	65.01	65.10	64.70	64.95
Sustain Controllable Income <sup>10</sup>	Deliveries per Hour (calculated rate) <sup>11</sup>	N/A	N/A	N/A	41.50	42.40	42.00	42.90	41.60	42.70
	Deliveries per Total Work Hours % SPLY <sup>12</sup>	0.6	0.1	1.2	N/A	N/A	N/A	N/A	N/A	N/A
	Controllable Income (Loss) (\$ in billions)	0.10	0.61	0.10	1.19	1.10	1.35	1.10	(1.00)	(2.00)

<sup>1</sup>In FY2016, the service performance target for Overnight Single-Piece First-Class Mail was removed due to the service standard changes of FY2015.

<sup>2</sup>For FY2015, the service performance target was a combination of Single-Piece First-Class and Commercial First-Class performance for an aggregate of overnight, two-day and three-day service.

<sup>3</sup>This is a new NPA measure for FY2017, focused on measuring First-Class letters and flats service performance.

<sup>4</sup>This is a new NPA measure for FY2017, focused on measuring standard letters and standard/periodical flats.

<sup>5</sup>For FY2015, there was a service performance target that is a combination of Standard Mail destination entry for Sectional Center Facility (SCF) letters and National Distribution Center (NDC) letters and flats.

<sup>6</sup>In FY2013, the Customer Experience Measurement (CEM) was replaced with Customer Insights (CI) as the key measure of customer experience for our NPA system and PES. FY2014 served as the baseline measure for this metric and compensable targets were established for FY2015.

<sup>7</sup>Customer Insights Composite is a corporate approved and compensated composite performance measure. Targets for the four subcomponent categories of Customer Insights (BSN, POS, Delivery, and Customer Care Centers) are set and compensated at the unit level. In FY2017, the Customer Insights Composite will also include an Electronic Customer Care (eCC) component.

<sup>8</sup>Injury and illness rate is calculated using an industry-wide formula recommended by OSHA: Total number of OSHA injuries and illnesses (multiplied by 200,000 hours divided by the number of exposure hours worked by all employees). The 200,000 hours represent 100 employees working 2,000 hours per year. It provides the standard base for calculating incidence rates.

<sup>9</sup>This is a new NPA measure for FY2017 and will replace the OSHA ISI rate as a measure of employee safety.

<sup>10</sup>FY2014 targets adjusted to reflect deferral of Network Rationalization, Phase 2.

<sup>11</sup>Starting in FY2017, this measure will be replaced by the new NPA measure of Deliveries per Total Work Hours % SPLY.

<sup>12</sup>Name changed from Total Deliveries per Hour % SPLY to Deliveries per Total Work Hours % SPLY in FY2017. Total Deliveries per Hour % SPLY was introduced in FY2016. For more information regarding FY2017 performance measures, please refer to the Annual Performance Plan included in this report.

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### **Alignment of the Postal Service's FY 2017 NPA Corporate Performance Goals and Future Ready Five Year Strategic Plan Goals**

To position the Postal Service to best achieve its annual NPA performance goals, the Postal Service has worked to establish four key strategic goals, separate from its corporate performance goals discussed above. The strategic goals are:

- Deliver a World-Class Customer Experience;
- Equip, Empower, and Engage Employees;
- Innovate Faster to Deliver Value; and
- Invest in Our Future Platforms.

The Postal Service executes these four "Future Ready" strategic goals through a portfolio of strategic initiatives (called Ready Now → Future Ready) that are designed to improve and/or sustain the Postal Service's performance against the targets set in the four performance categories.

Table 2 below shows the alignment between the Postal Service's four Future Ready strategic goals, the portfolio of FY 2017 strategic initiatives, and the FY 2017 NPA performance targets that each initiative directly or indirectly supports.

The table consists of three sections. The left section lists the four *Future Ready Strategic Goals*. The middle section lists the *FY17 Ready Now → Future Ready Strategic Initiatives*, and the right section lists the four *Corporate Performance Goals (NPA)*.

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Each *FY17 Strategic Initiative* (middle column) maps to a *Future Ready Strategic Goal* (left column) and supports one or more of the *Corporate Performance Goals (NPA)* (right column). Since these initiatives are large and complex, they frequently affect multiple focus areas and goal categories.

- The gold stars (★) in the Future Ready Strategic Goals column indicate primary alignment between FY17 Initiatives and Future Ready Strategic Goals while the green dots (●) indicate secondary or supportive alignment.
- The checkmarks (✓) in the Corporate Performance Goals (NPA) column indicate alignment between FY17 Initiatives and NPA.

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**Table 2. Alignment of USPS Future Ready Strategic Goals with FY 2017 Strategic Initiatives Portfolio and FY 2017 NPA Performance Targets**

Future Ready Strategic Goals				FY 2017 Ready Now ->Future Ready Strategic Initiatives		FY 2017 NPA Targets Aligned to Initiative Objectives			
Deliver World-Class Customer Experience	Equip, Empower, & Engage Employees	Innovate Faster to Deliver Value	Invest in Our Future Platforms	Initiative #	FY17 Strategic Initiative Name	High Quality Services	Excellent Customer Experiences	Employee Engagement & Safety	Sustain Controllable Income
★	●	●	●	25	Build a World-Class Customer Experience	✓	✓	✓	
★	●	●	●	52	Create a World-Class Social Media Platform		✓	✓	
★		●	●	58	Implement Informed Delivery		✓		✓
★		●	●	61	Build a World-Class International Platform	✓	✓		✓
●	★	●	●	53	Build a Culture of Engagement	✓	✓	✓	✓
	★	●	●	57	Deliver a Safe Workplace	✓		✓	✓
	●	★	●	51	Accelerate Innovation to Maximize Business Value	✓	✓		✓
●	●	★		60	Develop an Innovation Framework	✓	✓		✓
●	●	★	●	77	Accelerate Innovation to Maximize Customer Value		✓		✓
●	●	●	★	1	Optimize Network Platform	✓			✓
●	●	●	★	2	Optimize Delivery Platform	✓			✓
●	●	●	★	3	Optimize Retail and Customer Service Platform	✓	✓	✓	✓
●	●	●	★	43	Build a World-Class Package Platform	✓	✓		✓
●	●	●	★	55	Build a Bench of Effective Leaders	✓		✓	✓
●	●	●	★	59	Effectively Leverage Complement	✓		✓	✓